



## PEOPLES BANK OF VIRGINIA

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June 22, 2005

Jennifer J. Johnson, Secretary  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue, NW  
Washington, DC 20551

RE: Proposal to Change Loan Classification System  
Docket OP-1227

Dear Ms. Johnson:

Peoples Bank of Virginia respectfully opposes the Interagency Proposal on the Classification of Commercial Credit Exposures as we feel that the changes provide little if any improvement over the current system which is thorough, concise and understood by both commercial bankers and bank regulators. Most community banks operate under a very controlled credit culture with measured loan officer authority and director loan committees that review credits of size and complexity. These control mechanisms, while not foolproof, allow smaller financial institutions to keep an accurate pulse on the risks posed by the loan portfolio as they focus on both the financial soundness of the Borrower and the security afforded by the underlying collateral. We fear that implementing the proposed changes will make the analysis much more complex and costly and will actually confuse a system which is in seemingly working order.

Thank you for considering our position.

Sincerely,

M. Edwin McCall, Jr.  
Senior Vice President

CC: James H. Atkinson, Jr., CEO  
Quentin L. Corbett, President  
W.S. Carnes, Chairman